

March 20, 2014

Laurie ten Hope
Deputy Executive Director for Energy R&D
California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

RE: Docket Number 12-EPIC-01

Dear Ms. ten Hope

We are very grateful for the opportunity for the Sacramento Regional Technology Alliance (SARTA) to provide comments on the proposed Second Triennial Investment Plan for the EPIC program. As you may know, SARTA is a 501(c)(3) nonprofit organization with a mission to accelerate technology ventures in the Sacramento region. SARTA established a program of assisting clean tech companies succeed through its CleanStart Program in 2005. It did this with the support of the CEC. The CleanStart model of service delivery has been so successful that SARTA has launched two subsequent programs founded on the same model, but in different industry sectors, all of which assist in the commercialization of technologies through education, mentoring, networking and outreach.. SARTA is governed by a 34-member Board of Directors including investors, entrepreneurs, professional service providers, and university representatives, among others.

We were very pleased to see in the first investment plan recognition of the importance of business incubation and acceleration services in Strategy S10.1. We are even more pleased to see the expansion of the emphasis on the positive value of these services in Strategic Objective 18 in the Second Plan. We are writing to support this added emphasis and provide some specific suggestions on how the strategy can best be executed.

We believe that the goal of maximizing ratepayer benefits from the investments of the EPIC funds can best be achieved through the maximum deployment of clean energy technologies that have been successful proven in the lab and field. We further believe that maximum deployment is best done through the market and that will depend on the effectiveness of the businesses pursuing the deployment. The effectiveness of a business has been shown to be the result of three factors: the team, the business plan, and of course the worthiness of the technology itself.

In our experience and from the many studies done of commercialization of technologies by small companies, the cause of most of the failures in market penetration of promising technologies has been in shortcomings in the first two factors—the team and the business plan. The creative scientist or engineer that has developed a promising technology frequently does not have the preparation or skills required to do an equally promising job on choosing a business team or in developing and executing a careful business plan. It is the mission of business incubators and business accelerators to provide the training, coaching, and networking required to improve the quality of the team assembled to market a new technology and the quality of the plan to guide that team. Studies have

documented that legitimate incubators increase their client companies' chances of success to between 80 and 93 percent (compared with 20 percent in the general economy). To cite two examples: The Fulton-Carroll Center for Industry in Chicago had 129 tenants in its first seven years of operation -- only 14 went out of business after leaving the incubator. And according to Pryde, Roberts and Associates, a national consulting firm, of 556 small firms housed in 13 incubators, only 13 failed after moving out on their own (less than a 5% failure rate). Therefore, in our view, business incubator and acceleration services can be a key component in maximizing ratepayer benefits of promising new technologies by increasing the effectiveness of the businesses deploying them.

The conundrum for many incubators is that their clients, almost by definition, are not far enough along to afford such professional services except through payments of their own equity. As a result, many incubators including SARTA must seek cash support from investment firms and other sponsors, including government, to remain viable. The draft Investment Plan is then very encouraging in recognizing that an important allocation of EPIC funding should be dedicated to commercialization assistance and a network to provide feedback to entrepreneurs.

We would suggest some amplifications of the tactics to achieve Strategic Objective 18 as follows:

1. **Include as a standard term in any contract award where the intent is to increase market penetration (Strategic Objective 3), accelerate market acceptance (Strategic Objective 4), advance the development of new technologies (Strategic Objective 10), or technology deployment (Strategic Objectives 12-17) the requirement to submit a commercialization plan that has been developed with the support of, reviewed and evaluated by an approved business incubator organization.**

The Commission previously required submission of such plans in some of its contracts, but did not require that the awardee actually be coached on preparing such plans or that the plans be independently evaluated. A requirement for such coaching could markedly improve the quality of the commercialization plans as well as focus the attention of the awardee on dealing with deployment issues outside simply the merits of its technology.

The cost of the commercialization assistance provided by the incubator services organization could be covered from the EPIC funds as a part of the awardees' contracts or separately. As an existing model or template, the federal USDA currently operates such a component of its SBIR/STTR grant programs: it contracts with a non-profit entity to provide technology commercialization coaching and mentoring to all of the USDA's Phase III SBIR/STTR award recipients nationwide.

2. **Develop criteria for approving commercialization service organizations to provide the required coaching and review**

Undoubtedly there would be a number of competent commercialization service organizations in the state and awardees should be given the opportunity to choose the one that best serves their needs. However, the Commission has an interest in assuring that the organizations

chosen have the appropriate skills to provide the service needed. The criteria could include a track record in assisting and supporting clean energy companies, the availability of mentors that have clean energy company experience, the designation of the organization by others as a competent incubation service provider (such as members of the State's Innovation Hub (iHub) network, which is housed at GO-Biz), and independence from an investment decision for the awardee, to ensure the advice and review is truly independent and unbiased.

3. Define a basic scope of services for the commercialization organizations to provide to the awardee

Such organizations should have a clear idea of the Commission's intent and desired outcomes in providing the coaching and evaluation to the awardees, even though the precise scope of services is likely to be tailored to each awardee's situation.

4. Provide multi-year funding

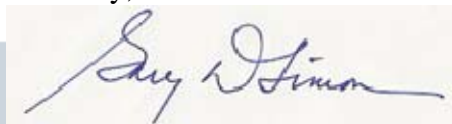
In order for a commercialization assistance organization to make the appropriate resources available to perform the service needed, the Commission should commit to providing some form of base funding to the organizations that meet its criteria and awardee-related funding for the three year Plan period.

5. Tie the commercialization assistance organizations together into a network to share experiences and best practices, as well as provide mutual support.

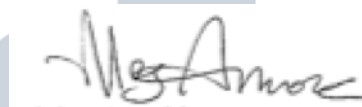
We agree entirely with Strategic Objective S18.2 regarding the creation of a statewide Clean Energy Network, which could have a basis or origin in the existing iHub network if appropriate. . The iHubs share a common mission, of supporting California's innovation economy, and a number of the iHubs work in clean tech. By linking to the existing iHub program, the CEC can have the confidence that the entities with which they're working are known, evaluated, and managed by GO-Biz. SARTA would like to participate in the design and execution of this network, providing whatever help the Commission would need. We are certain that many others like SARTA in the state would be eager to do the same.

SARTA very much appreciates the efforts of the Commission staff in understanding and considering the role of business incubators in enhancing the success of the EPIC investments and looks forward to working with the Commission to achieve its strategic objectives in this regard.

Sincerely,



GARY SIMON
Chairman, SARTA's CleanStart Program



MEG ARNOLD
CEO, SARTA